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in Manitoba

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The West's
Population Boom

OPINION:
Thinking Beyond
Natural Resources



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CURRENTS

Western Canada's Monthly Economic Bulletin

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Monthly Economic Highlights

As US statistics made it official that our southern neighbour had pulled itself out of the recession, the same cannot be said about Canada, where the economy appears to have stopped its decline by entering a zero-growth phase.

In October, Canadian employment fell by 43,000 jobs, pushing the unemployment rate up to 8.6%. More than one-third of the job losses took place in Alberta, but the other western provinces lost jobs as well. Since October 2008, Alberta is the

province with the steepest job decline (-3.3%), followed closely by Ontario (-3.1%). Still, the lowest unemployment rates in the country were recorded in the West: Saskatchewan (5.3%) and Manitoba (5.8%) were ahead, followed with a distant gap by

Alberta (7.5%) and BC (8.3%).

In September, the national inflation rate remained below zero at -0.9%, reflecting lower gasoline prices. Saskatchewan was the only province posting positive year-over-year price changes (+0.2%).

In August, wholesale trade fell in Alberta (-1.4%) and BC (-1.6%), primarily as a result of lower sales in the machinery and electronic equipment sector. Saskatchewan registered the largest provincial increase (+6.8%) due to higher sales of agricultural supplies. Manufacturing sales jumped 4.9% in Alberta, largely the result of higher sales in the petroleum and coal products industry.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Labour Markets						
Employment (000s)	2,257	1,967	518	606	16,795	October
% change	0.6	-0.8	-0.3	-0.6	-0.3	
Unemployment rate (%)	8.3	7.5	5.3	5.8	8.6	October
change in percentage points	0.9	0.4	0.7	0.5	0.2	
Participation rate (%)	66.0	73.7	69.8	69.3	67.0	October
Average weekly earnings (\$)	802.70	941.80	808.82	771.59	828.14	August
% change	0.6	-0.2	0.7	-0.4	0.5	
Inflation						
Consumer Price Index (% change)*	-1.2	1.1	0.2	0.3	-0.9	September
Economic Activity						
Housing starts (000s)**	16.2	22.6	3.7	4.4	149.3	September
% change	16.1	12.4	-27.5	-20.0	-3.9	
Retail trade (\$M)	4,437	4,608	1,178	1,249	34,475	August
% change	0.8	-0.2	1.2	0.5	0.8	
Wholesale trade (\$M)	4,089	4,714	1,331	1,130	40,963	August
% change	-1.6	-1.4	6.8	0.0	-1.4	
Manufacturing sales (\$M)	2,660	4,521	840	1,171	40,858	August
% change	0.0	4.9	-5.4	-1.4	-2.1	

* Compared to same month in the previous year. ** Annual rate (monthly figures are multiplied by 12 to reflect annual levels)

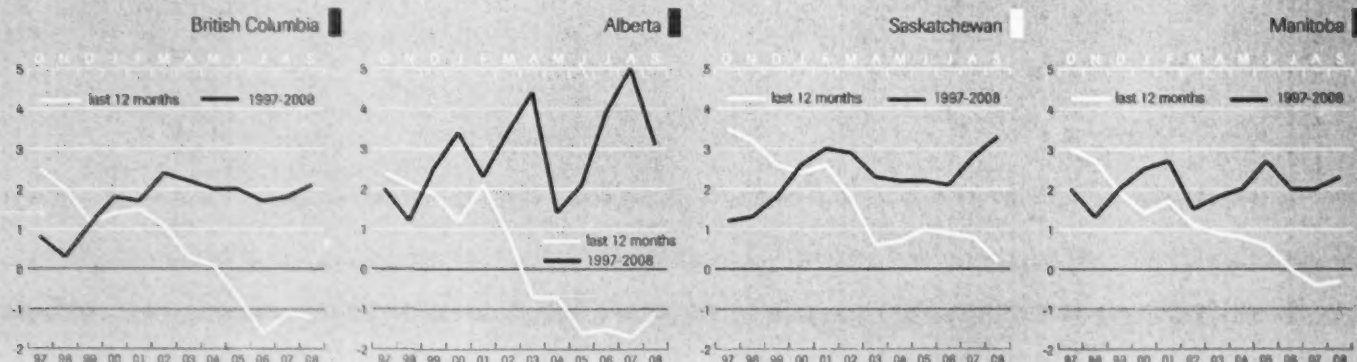
Unless otherwise noted, data are seasonally adjusted and percent change is from previous period. Source: Statistics Canada, Canada Mortgage and Housing Corp.

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CPI Inflation Rate (%)

Source: Statistics Canada



Did you know?

➤ Five of Canada's 13 UNESCO World Heritage Sites are found in Alberta.

➤ A Canadian homeless person's chance of surviving to age 75 is 32% for men and 60% for women, compared to 51% and 72% respectively for the poorest fifth of the population.

➤ British Columbians each eat 3 kg of mushrooms per year, 50% more than the Canadian average.

➤ Comedian Bob Hope learned to play golf in Winnipeg in 1930 while engaged at the Walker Theatre.

➤ The First Nations University of Canada, in Regina, is the first such accredited university in North America.

➤ Apprenticeship in Canada is still dominated by men, with women accounting for only 11% of completed apprenticeship programs, mainly in the food and service sector.

MONTHLY FEATURE

POPULATION UPDATE: THERE IS MORE AND MORE WEST INSIDE CANADA

Once upon a time, long ago, the West was a vast expanse of land full of resources and virtually empty of people. Well, things have changed. Now we have a little less resources and a lot more people. How many? Plenty.

According to Statistics Canada's latest Annual Demographic Estimates, there are now 10.4 million Westerners, a gain of 195,500 compared to last year. Population in the West has been growing faster than in the rest of the country, and as a result the West's share of the national number rose from 30.6% to 30.8%. This doesn't look like much, but in demographics, small percentages can represent a lot of people. In fact, this year's population gain now puts the West past the 30.7% share that

Statistics Canada was forecasting for 2031 as of last year under a "medium growth scenario". In other words, we're 22 years ahead of the game.

Usually, population forecasts are leisurely things with few unexpected developments, so where did the growth come from? The interprovincial migration into Alberta during the last oil and gas boom springs to mind. After all, everyone is familiar with stories of Newfoundlanders adjusting to life in Fort McMurray.

Surprise: international migration was behind most of the growth last year. In fact, the numbers of immigrants received by Alberta (23,900), Manitoba (13,200) and Saskatchewan (6,000)

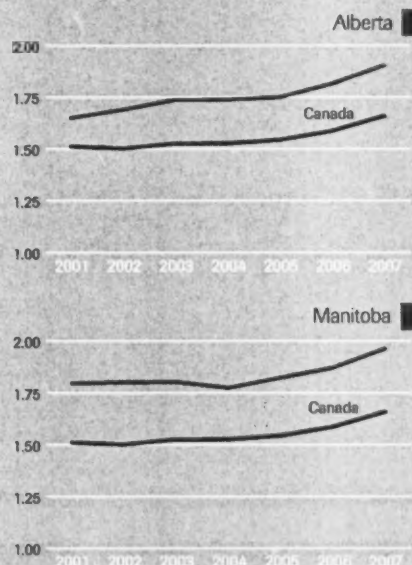
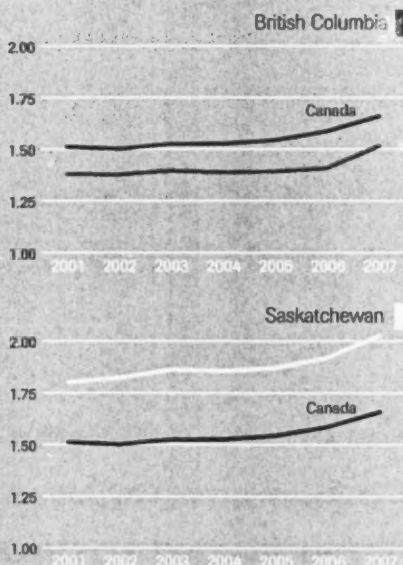
BEHIND THE NUMBERS

In a recent issue, *The Economist* highlighted that the world fertility rate is falling. Sometime around 2025 it could move below 2.1 children per woman, the magic number where populations stop growing naturally.

As of 2007, Canada's fertility rate was 1.66, with only the Northwest Territories (2.11) and Nunavut (2.97) at or above the replacement rate of 2.1. Among western provinces, BC alone is below the national rate at 1.51. Fertility rates have been edging up in the West recently, just like in Canada as a whole.

Total Fertility Rate

Source: Statistics Canada





were the highest since 1971, when the current record-keeping system was introduced. BC also received a large number of immigrants last year (42,500), although not a record one.

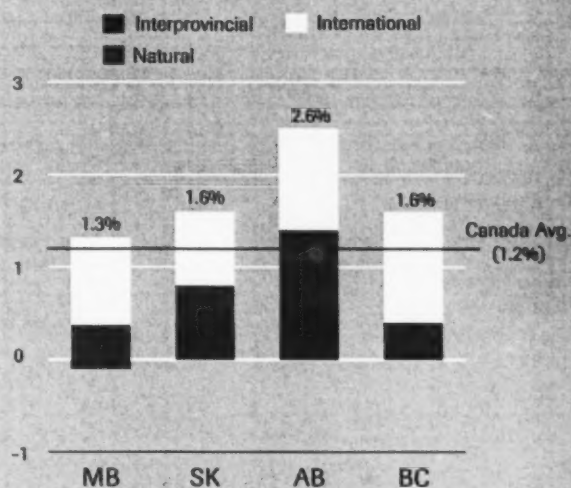
Of course, interprovincial migration remained a factor, but not as much as in the past. While Alberta has attracted the highest number of net interprovincial migrants since 1997, and posted large gains this past year as well (23,000), this was low compared to recent boom years. Case in point: on a net basis, Alberta lost people to BC (1,600) and Saskatchewan (600) last year.

Natural population increase (births minus deaths) played a role as well. Nationally, the natural increase was up 1.7% (which means that the growth picked up speed), but provinces like BC (+8.5%) and Saskatchewan (+6.1%) were well-ahead of that. Are less people dying? No, there are more babies being born, and this is visible in many industrialized countries these days.

For now, the West's population story ends like the usual fairy tale stuff, but with a twist: in addition to the classic "they had many children", we now have "they moved back to their province of origin" and "they landed in western Canada in January but didn't know about local winters." Will the population growth come with an increase in the standard of living? That's another story.

Sources of Population Increase (%)
(July 1st, 2008 to July 1st, 2009)

Source: Statistics Canada
Note: all measures are net.



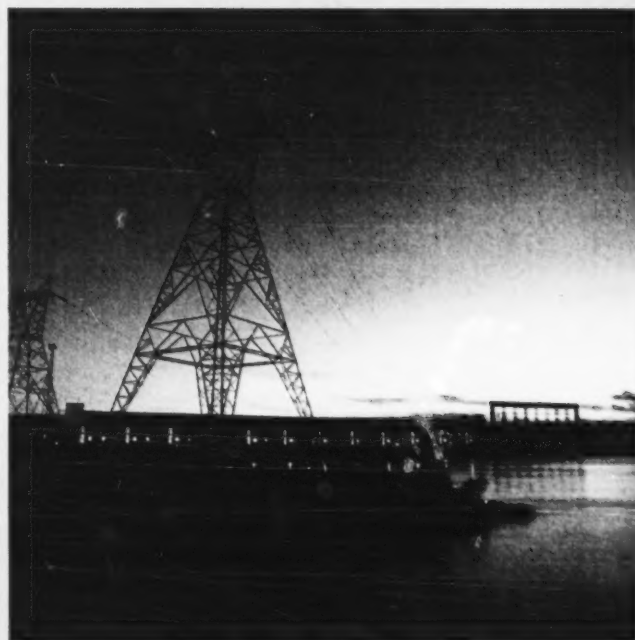
Industry Spotlight: Hydro Electricity in Manitoba

The hydro electricity industry in Manitoba is dominated by Manitoba Hydro, the province's crown corporation. The energy utility is among the largest in Canada. Hydro electricity is a green alternative to other, more carbon-intensive, sources of power.

Manitoba's first hydro electricity generator was constructed in 1901 on the Minnedosa River (now called the Little Saskatchewan River). Hydro electricity was generated by groups of private investors and several utility companies. In 1961, the largest utilities merged to form Manitoba Hydro.

Manitoba Hydro's electricity comes from 14 hydroelectric generating stations, found mostly on the Winnipeg, Saskatchewan and Nelson rivers. In addition to serving customers inside the province, Manitoba Hydro exports to over 30 other utility companies in Saskatchewan, Ontario, North Dakota and Minnesota through participation in four wholesale markets.

Apart from power generation, Manitoba Hydro has four subsidiary companies: the Manitoba HVDC Research Centre, W.I.R.E. services, Manitoba Hydro International and Manitoba Hydro Utility Services. These provide services including consulting and training for other utility companies, research, meter reading within Manitoba, and other utility services.



Power generation at Manitoba Hydro facilities.

photo credit: Memo Plamondon/Manitoba Hydro



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The Natural Resources Albatross: Western Canada's Economic Future

by Robert Roach, Director of the West in Canada Project

Western Canada is routinely described as a "resource-based" economy. This is true as far as it goes; natural resources are major industries in the region and they drive all sorts of other economic activity.

This observation obscures the fact that western Canada, like most post-industrial societies, is largely a service economy. More westerners work in the health and education sectors than in the resource sector. Most westerners live in cities doing jobs far removed from the resources.

The real problem is the effect that the resource-based image has on how people think about the western Canadian economy and its future. As important as resources are to the West, they poison creative thinking about other aspects of the economy.

In meeting after meeting that I have attended about the western Canadian economy, at least one well-intentioned participant either starts the meeting or ends it with the same proclamation: "This is all well and good, but remember that natural resources are our bread and butter."

In one fell swoop, this mantra downgrades the status of economic strategies that do not focus on natural resources. As a result, creative thinking is treated like a little kid—it may be indulged to some degree, but rarely is it taken very seriously.

This, of course, is a big mistake for two reasons. First, it hampers our ability to diversify the economy—not away from natural resources, but in addition to them. The point is not to abandon our bounty of natural resources, but to expand beyond them.

Second, the traditional emphasis on natural resources perpetuates our overreliance on the bottom end of the economic value chain. Pulling stuff out of the ground, whacking down trees and growing grain all contribute to the western Canadian economy, but they also rely on highly volatile commodity markets and do not capture the value that can be added to them down the line.

To counter this, we have spent a lot of time and energy on figuring out ways to add value to our natural resources before we sell them to other countries. This is worthwhile, but it only takes us so far in the global economy of today and tomorrow. The big problem with this is that we do not have the comparative advantage of jurisdictions who can add the value at lower cost. Our true comparative advantage does not lie in natural resources or value-added processing; it lies in our brainpower.

This is why it is useful for us to engage in a thought experiment. What we need to do is imagine that western Canada suddenly has no natural resources. Would we fold up our tents and move on? Or would we take the advantages that remain such as the rule of law, an open society, great cities, modern infrastructure and highly educated citizens and apply these to other economic pursuits? After all, these are the reasons we have escaped the fate of other places that have natural resources but not the broad prosperity we enjoy here in western Canada.

I like to think that we would not fold up our tents and that we would find ways to leapfrog over whole sections of the value chain. We would become, as we are to some degree already, the designers of new technology, the owners of international enterprises, the teachers of others and the brains behind all sorts of new and profitable ventures. Creativity, research and development and commercialization all have to be put on economic steroids for the West to prosper over the longterm. This is a tall order, but it can be filled with creative thinking, hard work and risktaking.

Despite this, our thinking seems to always come back to "but we have natural resources and we ignore them at our peril." This is the albatross around our economic neck, not a lack of ideas, capital or foresight.

Natural resources are part of the future of the West, but they have to stop crowding out other ideas. ■